

Message Text

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ACTION EB-08

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BRUSSELS FOR FAA

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TAGS: EAIR, FR
SUBJECT: AIR FRANCE BOEING DEAL LAPSES

REF: PARIS 3491

AS A RESULT OF DIFFICULTIES WITH ITS PILOTS' UNION
AIR FRANCE HAS LET LAPSE ITS OPTION WITH BOEING FOR THE
LEASE OF THIRTEEN BOEING 737 AIRCRAFT. AIR FRANCE HAD
BEEN INTENDING TO ORDER THESE AIRCRAFT IN THE
STANDARD TWO PILOT CONFIGURATION, BUT THE PILOTS UNION
HAS BEEN INSISTING THAT PROVISION BE MADE FOR A THREE

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MAN COCKPIT. THIS IS UNACCEPTABLE TO THE COMPANY WHICH
UNDER THE RECENTLY CONCLUDED CONTRACT WITH THE GOF FOR
LONGER TERM FINANCIAL SUPPORT MUST MAKE STRENUOUS EF-
FORTS FURTHER TO IMPROVE PRODUCTIVITY.

AN AIR FRANCE OFFICIAL TOLD THE CIVIL AIR ATTACHE
APRIL 17 THAT THE COMPANY DECISION TO LET THE CONTRACT
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LAPSE MAY BE INTERPRETED AS A PRESSURE TACTIC ON THE
PILOTS IN THE HOPE THAT THE GOF WILL UNDERTAKE TO RESOL-
VE THE ISSUE IN FAVOR OF A TWO-MAN CREW. LETTING THE
OPTION LAPSE HAS, OF COURSE, THE DISADVANTAGES THAT AIR
FRANCE MAY HAVE TO RENEGOTIATE ITS FINANCIAL TERMS AT A
LATER DATE AS WELL AS LOSE ITS POSITIONS ON THE BOEING
PRODUCTION LINE. HOWEVER, THIS PRICE IS NOT CONSI-

DERED TOO HIGH IF THE TWO MAN CREW ISSUE CAN BE FAVORABLY RESOLVED. FURTHER AIR FRANCE, ACCORDING TO THIS SOURCE, IS NOW THINKING IT WOULD ACQUIRE MORE THAN THE ORIGINAL THIRTEEN 737 AIRCRAFT ANNOUNCED IN JANUARY. SHOULD THE TWO MAN CREW ISSUE NOT BE RESOLVED, HE SAID, IT IS LIKELY THAT AIR FRANCE WILL SHIFT FROM THE 737 TO THE THREE MAN CREW STANDARD 727. SINCE EACH CREW POSITION INVOLVES APPROXIMATELY ONE MILLION FRANCS ANNUALLY (IN SALARY AND OTHER COSTS) THE FEELING IS THAT AIR FRANCE MIGHT AS WELL INVEST IN THE HIGHER CAPACITY 727 EVEN THOUGH THE AIRCRAFT WILL BE TOO LARGE FOR SOME ROUTES. THE 727 EVEN AT LOWER LOAD FACTORS WILL BE CONSIDERABLY CHEAPER TO OPERATE THAN THE 20 YEAR OLD CARAVELLE WHICH IS THE STANDARD OF COMPARISON.

COMMENT: PRODUCTIVITY IMPROVEMENT HAS BEEN AN IMPORTANT MANAGERIAL OBJECTIVE OF AIR FRANCE FOR MANY YEARS, BUT HAS TO BE PURSUED WITHIN THE FRENCH (AND EUROPEAN) SOCIAL FRAMEWORK WHICH EMPHASIZES MAINTENANCE OF EMPLOYMENT AT ALMOST ANY COST. IN SPITE OF THIS, WE HAVE BEEN TOLD, AIR FRANCE HAS KEPT ITS LABOR FORCE RELATIVELY CONSTANT (IN THE 30,000 RANGE) FOR THE PAST TEN YEARS WHILE ITS OUTPUT HAS TRIPLED. RESISTING EMPLOYMENT EXPANSION IS A MAJOR TECHNIQUE HERE. WITHIN THIS FRAMEWORK AIR FRANCE IS CURRENTLY RESISTING PROPOSALS TO EXPAND BOEING 747 CABIN CREWS FROM 14 TO 16 ATTENDANTS LIMITED OFFICIAL USE

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(COMPARED WITH 10-12 ON MANY OTHER CARRIERS) AND HOPED TO MAKE A STRONG STAND ON THE 737 PILOT QUESTION. ON LONG HAUL FLIGHTS (ESPECIALLY THE TRANS ATLANTIC) AIR

FRANCE CONSIDERS THAT IT IS AS EFFICIENT AS ANY OTHER CARRIER OPERATING COMPARABLE AMOUNTS OF BOEING 747 EQUIPMENT AND AHEAD OF SOME. HOWEVER, THE ROUTE NETWORK CONTAINS AN UNDUE AMOUNT OF SHORT AND MEDIUM HAUL SEGMENTS WHERE IT HAS BEEN DIFFICULT TO ATTAIN THIS OBJECTIVE, A FACTOR WHICH EXPLAINS TO SOME EXTENT AIR FRANCE'S EMPHASIS ON HIGH AIR FARES.

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